

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Missaukee County		County Missaukee	
Audit Date December 31, 2005		Opinion Date February 24, 2006		Date Accountant Report Submitted to State: May 9, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

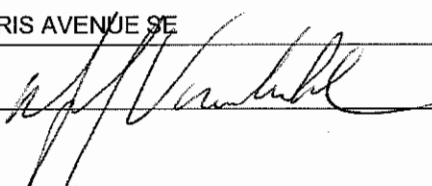
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) REHMANN ROBSON DOUGLAS J. VREDEVELD, CPA			
Street Address 2330 EAST PARIS AVENUE SE		City GRAND RAPIDS	State MI
Accountant Signature 		Zip 49546	5/9/06

MISSAUKEE COUNTY, MICHIGAN

FINANCIAL STATEMENTS

**For the Fiscal Year Ended
December 31, 2005**

MISSAUKEE COUNTY, MICHIGAN

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

February 24, 2006

Board of Commissioners
Missaukee County
Lake City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of ***Missaukee County, Michigan*** (the "County"), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the *District Health Department Number 10*, a discrete component unit, which represents 8 percent and 42 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the *District Health Department Number 10*, a discretely presented component unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Missaukee County, Michigan**, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2006 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Missaukee County, Michigan's**, basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statement of the County. The combining and individual fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style with a large initial 'L'.

Management's Discussion and Analysis

As management of *Missaukee County, Michigan*, (the "County") we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2005.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$9,037,601 (*net assets*). Of this amount, \$5,994,566 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$784,672.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$2,506,494, an increase of \$586,638 in comparison with the prior year. 46% percent of this total amount, or \$1,161,674, is *available for spending* at the government's discretion (*unreserved and undesignated fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$154,347, or 3.9 percent of total general fund expenditures and transfers out.
- The County's total bonded debt decreased by \$101,800 during the current fiscal year. The key factor in this decrease was the annual payments on the bonds and there were no new general obligation bonds issued.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include legislative, judicial, general government, public safety (including the jail), health and welfare, public works, and recreation and culture. The business-type activities of the County are related to the collection of delinquent property taxes.

The government-wide financial statements include not only Missaukee County itself (known as the primary government), but also the legally separate Missaukee County Road Commission, District Health Department No. 10 and Missaukee County Council on Aging, for which Missaukee County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 38 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Emergency Services, Tax Reserve, Housing, Sheriff Special Forces, Missaukee Sanitary Drainage District No. 2, and Capital Reserve funds, each of which are considered to be major funds. Data from the other 31 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds.

The basic governmental fund financial statements can be found on pages 16-26 of this report.

Proprietary funds. The County has one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its delinquent tax collections.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Unpledged, 2003 Tax Levy and 2004 Tax Levy Enterprise Funds, which are considered to be major funds. Individual fund data for nonmajor enterprise funds are provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 27-29 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 30 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-51 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This includes the combining and individual fund financial statements and schedules. Combining and individual fund statements and schedules can be found on pages 52-67 of this report, with the single audit section immediately following.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Missaukee County, assets exceeded liabilities by \$9,037,601 at the close of fiscal 2005.

One of the largest portions of the County's net assets (34%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of *unrestricted net assets* (67% or \$5,994,566) may be used to meet the government's ongoing obligations to citizens and creditors.

Missaukee County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 5,714,714	\$ 6,138,124	\$3,000,371	\$ 3,045,643	\$8,715,085	\$ 9,183,767
Capital assets, net	<u>3,054,545</u>	<u>2,468,324</u>	<u>-</u>	<u>-</u>	<u>3,054,545</u>	<u>2,468,324</u>
Total assets	<u>8,769,259</u>	<u>8,606,448</u>	<u>3,000,371</u>	<u>3,045,643</u>	<u>11,769,630</u>	<u>11,652,091</u>
Long-term debt, net of current portion	954,527	1,059,629	-	-	954,527	1,059,629
Other liabilities	<u>1,755,957</u>	<u>2,339,533</u>	<u>21,545</u>	<u>-</u>	<u>1,777,502</u>	<u>2,339,533</u>
Total liabilities	<u>2,710,484</u>	<u>3,399,162</u>	<u>21,545</u>	<u>-</u>	<u>2,732,029</u>	<u>3,399,162</u>
Net assets						
Invested in capital assets, net of related debt	3,043,035	2,817,501	-	-	3,043,035	2,817,501
Restricted	-	163	-	-	-	163
Unrestricted	<u>3,015,740</u>	<u>2,389,622</u>	<u>2,978,826</u>	<u>3,045,643</u>	<u>5,994,566</u>	<u>5,435,265</u>
Total net assets	<u>\$ 6,058,775</u>	<u>\$5,207,286</u>	<u>\$2,978,826</u>	<u>\$ 3,045,643</u>	<u>\$ 9,037,601</u>	<u>\$ 8,252,929</u>

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

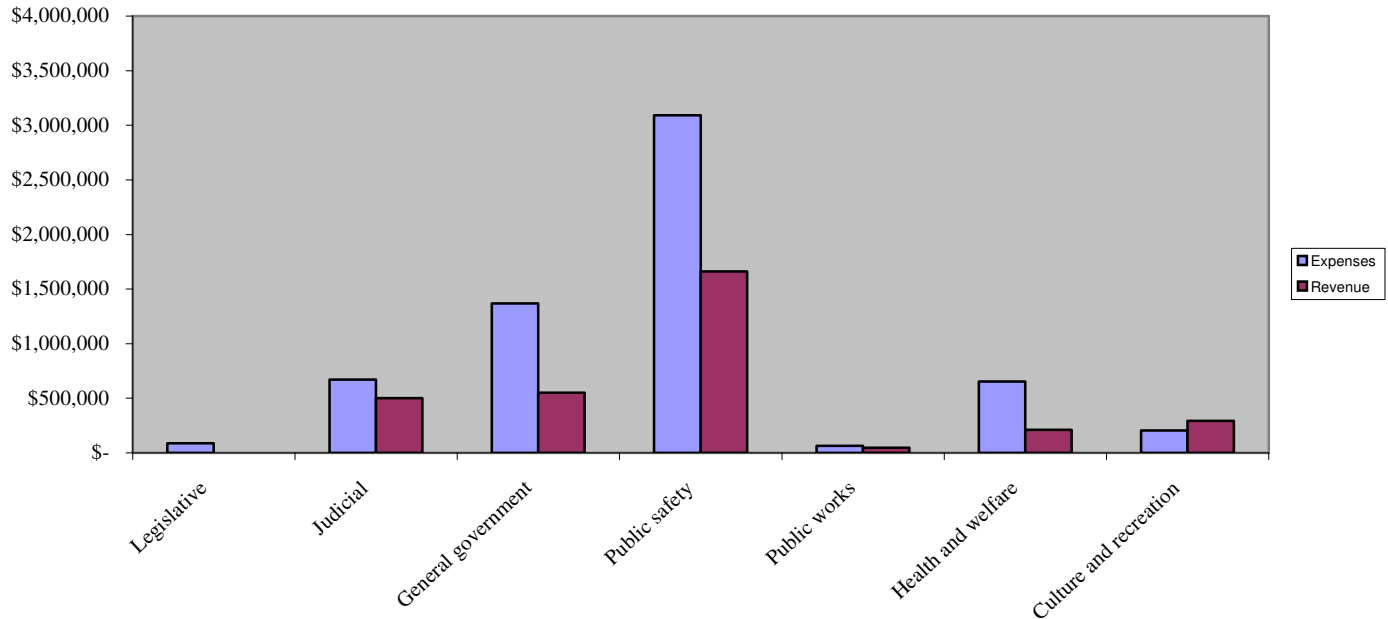
The government's net assets increased by \$784,672 during the current fiscal year. This increase was caused primarily as a result of the change in the tax collection date as required by state law as reflected in the tax reserve fund.

Missaukee County's Changes in Net Assets

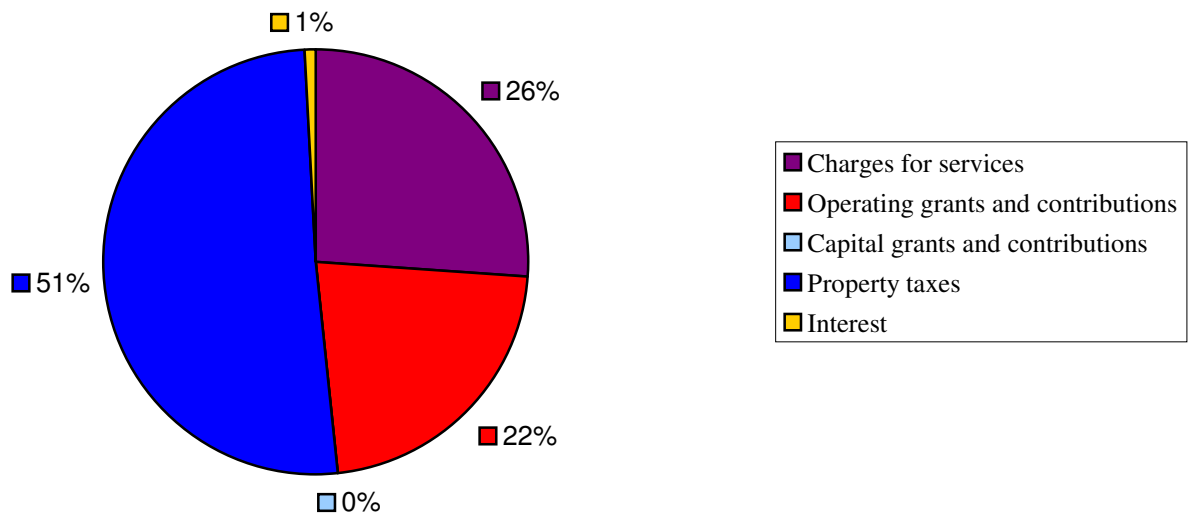
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue						
Program revenue						
Charges for services	\$ 1,757,676	\$ 1,777,935	\$154,790	\$ 134,551	\$1,912,466	\$ 1,912,486
Operating grants and contrib.	1,500,285	1,370,192	-	-	1,500,285	1,370,192
Capital grants and contrib.	6,899	38,793	-	-	6,899	38,793
General revenue						
Property taxes	3,422,914	3,109,952	-	-	3,422,914	3,109,952
Grants and contributions not restricted to specific programs	-	85,887	-	-	-	85,887
Other	54,979	27,846	40,775	25,523	95,754	53,369
Total revenue	<u>6,742,753</u>	<u>6,145,942</u>	<u>195,565</u>	<u>160,074</u>	<u>6,938,318</u>	<u>6,570,679</u>
Expenses						
Legislative	88,256	103,885	-	-	88,256	103,885
Judicial	671,298	624,179	-	-	671,298	624,179
General government	1,369,732	1,376,570	-	-	1,369,732	1,376,570
Public safety	3,091,621	3,115,080	-	-	3,091,621	3,115,080
Public works	65,241	76,864	-	-	65,241	76,864
Health and welfare	653,500	683,136	-	-	653,500	683,136
Recreation and cultural	206,316	166,228	-	-	206,316	166,228
Delinquent tax revolving	-	-	7,682	12,269	7,682	-
Total expenses	<u>6,145,964</u>	<u>5,976,635</u>	<u>7,682</u>	<u>12,269</u>	<u>6,153,646</u>	<u>5,988,904</u>
Increase (decrease) in net assets before transfers	596,789	264,663	187,883	160,074	784,672	424,737
Transfers	<u>254,700</u>	<u>498,258</u>	<u>(254,700)</u>	<u>(498,258)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>851,489</u>	<u>762,921</u>	<u>(66,817)</u>	<u>(338,184)</u>	<u>784,672</u>	<u>(424,737)</u>
Net assets – beginning of year	<u>5,207,286</u>	<u>4,444,365</u>	<u>3,045,643</u>	<u>3,383,827</u>	<u>8,252,929</u>	<u>7,828,192</u>
Net assets – end of year	<u>\$ 6,058,775</u>	<u>\$5,207,286</u>	<u>\$2,978,826</u>	<u>\$ 3,045,643</u>	<u>\$ 9,037,601</u>	<u>\$ 8,252,929</u>

Governmental activities. Governmental activities increased the County's net assets by \$851,489. The key element of this increase is that property taxes increased by approximately \$313,000 (10 percent) during the year. Most of this increase is the product of increased taxable values and residential growth.

Expenses and Program Revenues - Governmental Activities

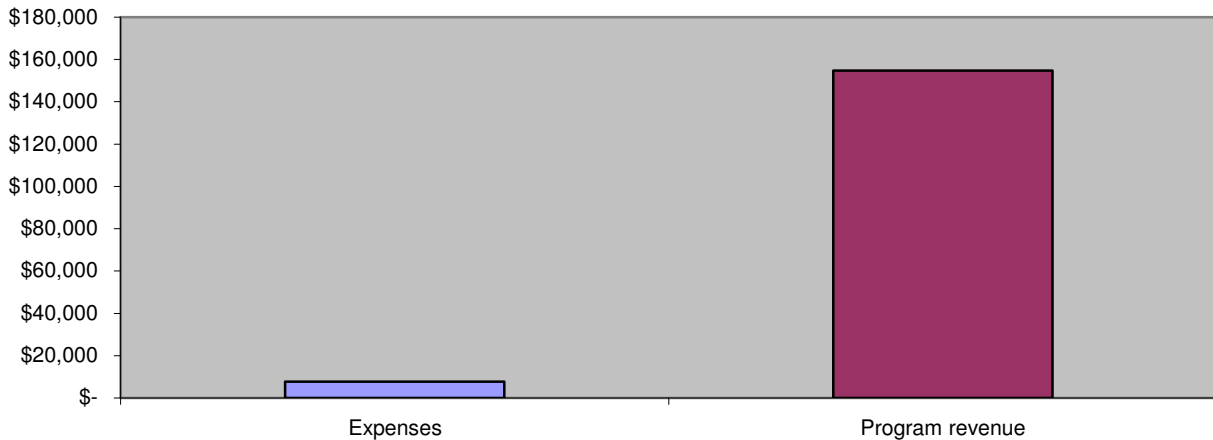


Revenues by Source - Governmental Activities



Business-type activities. Business-type activities decreased the County's net assets by \$66,817. The key element of this decrease is the transfer out of \$254,700 to finance various operations of the County.

Expenses and Program Revenues - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$2,506,494, an increase of \$586,638 in comparison with the prior year. Approximately 85 percent of this total amount or \$1,161,674 constitutes *unreserved and undesignated fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* or *designated* to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$154,347, while total fund balance was \$213,160. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 38 percent of total general fund expenditures and transfers out.

The fund balance of the County's General fund increased by \$44,010 during the current fiscal year.

The Emergency Services fund had a decrease in fund balance for the current year of \$33,819 for an ending total of \$629,606. This decrease was primarily the result of capital expenditure.

The Tax Reserve fund had an increase in fund balance for the current year of \$435,111. This was a result of monies from the general fund tax levy being transferred in per State of Michigan guidelines.

The Housing fund had a decrease in fund balance of \$7,244.

The Sheriff Special Forces fund had a decrease in fund balance for the current year of \$8,985 for an ending total of \$274,509.

The Missaukee Sanitary Drainage District No. 2 had no change in fund balance for the current year. The total fund balances remained at \$0.

The Capital Reserve fund had an increase in fund balance for the current year of \$163,056 for an ending deficit of \$(375,000). The increase was primarily the result of the transfer in.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

General Fund Budgetary Highlights

The largest increase in the budget during the year was to an increase in Federal revenues in the amount of \$77,956 and an increase in interest generated in \$10,990 and departmental service charges revenue in the amount of \$36,004. These were primarily due to a large payment from Homeland Security on a County based generator, an aggressive investment policy by the County Treasurer and increased service revenues generated in the Register of Deeds Office.

During the year, general fund revenues were more than budgetary estimates and expenditures were more than originally budgeted. The net differences resulted in an actual decrease in fund balance of \$44,010 compared to the budgeted zero change in fund balance.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental type activities as of December 31, 2005, amounted to \$3,054,545 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and vehicles. The total increase in the County's investment in capital assets for the current fiscal year was 8 percent. The County's business-type activities have no capital assets.

Major capital asset events during the current fiscal year included various remodeling projects, and ambulance and other vehicle purchases totaling \$480,601.

Missaukee County's Capital Assets (net of depreciation)

	Governmental Activities
Land	\$ 353,423
Buildings	2,249,433
Equipment	176,658
Vehicles	275,031
Total	<u>\$ 3,054,545</u>

Additional information on the County's capital assets can be found in Note III B on pages 41-42 of this report.

Long-term debt. At the end of the current fiscal year, the County had total debt outstanding of \$976,070. Of this amount, \$874,000 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents a note payable and compensated absences.

Missaukee County's Outstanding Debt General Obligation Bonds

	Governmental Activities
General obligation bonds	<u>\$ 874,000</u>

The County's total debt decreased by \$99,720 (9 percent) during the current fiscal year. A note payable for a new copier was issued in the amount of \$12,556.

The County currently does not have a bond rating.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the County is \$44,524,451, which is significantly in excess of the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in Note III D on pages 44-45 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the County's budget for the 2006 fiscal year:

- Labor contracts with the POLC Union expired in 2005 and the subsequent pay increases were budgeted for those employees.
- There was a 30% growth in Missaukee County population with the 2000 census and subsequent 2005 updated census projection and the budget was increased accordingly, taking into account the mandatory services necessary to take care of this growth.
- The soaring cost of health care premiums were reviewed and adjustments made accordingly.
- Increases in liability insurance, workmen's compensation and M.E.S.C. in the prior year have been reviewed and the budget was prepared with those insurances being bid out for a reduced premium. The unemployment will be decreasing due to an improved year for payments
- Due to the shifting by the State of the collection of property taxes at the local level and the uncertainty of future revenue sharing payments and other delayed state payments adjustments were made to work around the temporary cash flow fluctuations that these cause.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Missaukee County Clerk, P.O. Box 800, Lake City, MI 49651.

MISSAUKEE COUNTY, MICHIGAN

STATEMENT OF NET ASSETS

DECEMBER 31, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,030,578	\$ 2,048,926	\$ 4,079,504
Receivables, net			
Accounts	127,955	50	128,005
Taxes	2,231,323	423,675	2,654,998
Lease	874,000	-	874,000
Interest	-	51,326	51,326
Loans	607,323	-	607,323
Due from other governments	260,496	620	261,116
Internal balances	(475,774)	475,774	-
Prepaid items and other assets	58,813	-	58,813
Land	353,423	-	353,423
Capital assets, net	2,701,122	-	2,701,122
Total assets	8,769,259	3,000,371	11,769,630
Liabilities			
Accounts payable	136,248	21,545	157,793
Accrued wages	38,635	-	38,635
Accrued interest payable	7,517	-	7,517
Unearned revenue	1,552,014	-	1,552,014
Long-term liabilities			
Due within one year	21,543	-	21,543
Due in more than one year	954,527	-	954,527
Total liabilities	2,710,484	21,545	2,732,029
Net assets			
Invested in capital assets, net of related debt	3,043,035	-	3,043,035
Unrestricted	3,015,740	2,978,826	5,994,566
Total net assets	\$ 6,058,775	\$ 2,978,826	\$ 9,037,601

The accompanying notes are an integral part of these financial statements.

Component Units		
Health Department No. 10	Road Commission	Council on Aging
\$ 680,761	\$ 827,647	\$ 42,343
105,471	1,610	16,162
-	-	214,551
-	-	-
-	-	-
-	-	-
436,327	625,337	-
-	-	-
127,334	191,182	-
-	650	-
401,124	18,732,398	-
1,751,017	20,378,824	273,056
236,014	74,704	6,888
303,917	19,100	1,299
-	-	-
180,964	-	214,551
-	13,497	-
439,004	121,476	-
1,159,899	342,166	222,738
401,124	18,733,048	-
189,994	1,303,610	50,318
\$ 591,118	\$ 20,036,658	\$ 50,318

MISSAUKEE COUNTY, MICHIGAN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
Legislative	\$ 88,256	\$ -	\$ -	\$ -	\$ (88,256)
Judicial	671,298	292,490	207,371	-	(171,437)
General government	1,369,732	508,537	42,863	-	(818,332)
Public safety	3,091,621	650,285	1,004,271	6,899	(1,430,166)
Public works	65,241	-	47,043	-	(18,198)
Health and welfare	653,500	12,269	198,737	-	(442,494)
Recreation and cultural	206,316	294,095	-	-	87,779
Total governmental activities	<u>6,145,964</u>	<u>1,757,676</u>	<u>1,500,285</u>	<u>6,899</u>	<u>(2,881,104)</u>
Business-type activities					
Delinquent tax revolving	<u>7,682</u>	<u>154,790</u>	<u>-</u>	<u>-</u>	<u>147,108</u>
Total primary government	<u>\$ 6,153,646</u>	<u>\$ 1,912,466</u>	<u>\$ 1,500,285</u>	<u>\$ 6,899</u>	<u>\$ (2,733,996)</u>
Component units					
Health Department	11,870,560	2,452,746	9,464,030	-	46,216
Road Commission	4,755,079	1,113,680	2,957,710	70,994	(612,695)
Council on Aging	<u>460,423</u>	<u>182,178</u>	<u>43,217</u>	<u>12,187</u>	<u>(222,841)</u>
Total component units	<u>\$ 17,086,062</u>	<u>\$ 3,748,604</u>	<u>\$ 12,464,957</u>	<u>\$ 83,181</u>	<u>\$ (789,320)</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

MISSAUKEE COUNTY, MICHIGAN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2005

Functions/Programs	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (2,881,104)	\$ 147,108	\$ (2,733,996)
General revenues			
Taxes			
Property taxes	3,422,914	-	3,422,914
Unrestricted investment earnings	54,979	40,775	95,754
Other revenue	-	-	-
Internal transfers	254,700	(254,700)	-
Total general revenues and transfers	3,732,593	(213,925)	3,518,668
Change in net assets	851,489	(66,817)	784,672
Net assets, beginning of year	5,207,286	3,045,643	8,252,929
Net assets, end of year	\$ 6,058,775	\$ 2,978,826	\$ 9,037,601

The accompanying notes are an integral part of these financial statements.

Component units		
Health Department No. 10	Road Commission	Council on Aging
\$ 46,216	\$ (612,695)	\$ (222,841)
-	-	199,427
6,559	28,076	2,127
18,523	26,842	-
-	-	-
25,082	54,918	201,554
71,298	(557,777)	(21,287)
519,820	20,594,435	71,605
<u>\$ 591,118</u>	<u>\$ 20,036,658</u>	<u>\$ 50,318</u>

(Concluded)

MISSAUKEE COUNTY, MICHIGAN

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2005

	<u>General</u>	<u>Emergency Services</u>	<u>Tax Reserve</u>	<u>Housing</u>
Assets				
Cash and cash equivalents	\$ 143,772	\$ 504,503	\$ 282,599	\$ 10,608
Receivables				
Accounts	-	127,945	-	-
Loans	-	-	-	607,323
Taxes	787,033	218,677	679,305	-
Lease	-	-	-	-
Due from other funds	385	-	-	-
Due from other governments	178,868	-	-	-
Prepaid items and other assets	58,813	-	-	-
Total assets	<u>\$ 1,168,871</u>	<u>\$ 851,125</u>	<u>\$ 961,904</u>	<u>\$ 617,931</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 38,006	\$ 166	\$ -	\$ -
Accrued liabilities	28,514	2,676	-	-
Due to other funds	102,158	-	-	-
Deferred revenue	787,033	218,677	-	607,323
Total liabilities	<u>955,711</u>	<u>221,519</u>	<u>-</u>	<u>607,323</u>
Fund balances				
Reserved	58,813	-	961,904	-
Unreserved				
Designated for subsequent years' expenditures	-	26,164	-	-
Undesignated (deficit)	154,347	603,442	-	10,608
Undesignated, reported in nonmajor Special revenue funds	-	-	-	-
Total fund balances (deficit)	<u>213,160</u>	<u>629,606</u>	<u>961,904</u>	<u>10,608</u>
Total liabilities and fund balances	<u>\$ 1,168,871</u>	<u>\$ 851,125</u>	<u>\$ 961,904</u>	<u>\$ 617,931</u>

The accompanying notes are an integral part of these financial statements.

<u>Sheriff Special Forces</u>	<u>Missaukee Sanitary Drainage District No. 2</u>	<u>Capital Reserve</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 279,964	\$ -	\$ -	\$ 809,132	\$ 2,030,578
-	-	-	10	127,955
-	-	-	-	607,323
546,308	-	-	-	2,231,323
-	810,000	-	64,000	874,000
-	-	-	5,365	5,750
-	-	-	81,629	260,497
-	-	-	-	58,813
<u>\$ 826,272</u>	<u>\$ 810,000</u>	<u>\$ -</u>	<u>\$ 960,136</u>	<u>\$ 6,196,239</u>
\$ -	\$ -	\$ -	\$ 98,073	\$ 136,245
5,455	-	-	1,990	38,635
-	-	375,000	4,366	481,524
546,308	810,000	-	64,000	3,033,341
-	-	-	-	-
<u>551,763</u>	<u>810,000</u>	<u>375,000</u>	<u>168,429</u>	<u>3,689,745</u>
-	-	-	297,939	1,318,656
-	-	-	-	26,164
274,509	-	(375,000)	-	667,906
-	-	-	493,768	493,768
<u>274,509</u>	<u>-</u>	<u>(375,000)</u>	<u>791,707</u>	<u>2,506,494</u>
<u>\$ 826,272</u>	<u>\$ 810,000</u>	<u>\$ -</u>	<u>\$ 960,136</u>	<u>\$ 6,196,239</u>

MISSAUKEE COUNTY, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS**

DECEMBER 31, 2005

**Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets**

Fund balances - total governmental funds \$ 2,506,494

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: capital assets	5,152,721
Subtract: accumulated depreciation	(2,098,176)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: other lease receivable deferred revenues	874,000
Add: other loan receivable deferred revenues	607,323

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: long-term debt	(885,510)
Subtract: compensated absences	(90,560)
Subtract: accrued interest on long-term liabilities	(7,517)

Net assets of governmental activities	<u><u>\$ 6,058,775</u></u>
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The accompanying notes are an integral part of these financial statements.

MISSAUKEE COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>General</u>	<u>Emergency Services</u>	<u>Tax Reserve</u>	<u>Housing</u>
Revenues				
Property taxes	\$ 2,050,921	\$ 203,215	\$ 677,966	\$ -
Licenses and permits	12,146	-	-	-
Intergovernmental revenue				
Federal	176,660	-	-	-
State	354,615	-	-	-
Local	31,992	520	-	-
Charges for services	385,018	228,721	-	-
Fines and forfeitures	-	-	-	-
Reimbursements	89,601	-	-	-
Interest	20,309	13,024	-	-
Rental revenue	79,149	-	-	-
Other revenue	194,667	538	-	11,344
Total revenues	3,395,078	446,018	677,966	11,344
Expenditures				
Current expenditures				
Legislative	88,284	-	-	-
Judicial	659,149	-	-	-
General government	1,287,447	-	-	-
Public safety	1,346,287	354,565	-	-
Public works	18,585	-	-	-
Health and welfare	208,583	-	-	18,588
Recreation and cultural	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	46,543	125,272	-	-
Total expenditures	3,654,878	479,837	-	18,588
Revenue over (under) expenditures	(259,800)	(33,819)	677,966	(7,244)
Other financing sources (uses)				
Note proceeds	12,556	-	-	-
Transfers in	597,560	-	-	-
Transfers out	(306,306)	-	(242,855)	-
Total other financing sources (uses)	303,810	-	(242,855)	-
Net change in fund balances	44,010	(33,819)	435,111	(7,244)
Fund balances (deficit), beginning of year	169,150	663,425	526,793	17,852
Fund balances (deficit), end of year	\$ 213,160	\$ 629,606	\$ 961,904	\$ 10,608

The accompanying notes are an integral part of these financial statements.

Sheriff Special Forces	Missaukee Sanitary Drainage District No. 2	Capital Reserve	Other Governmental Funds	Total
\$ 490,812	\$ -	\$ -	\$ -	\$ 3,422,914
-	-	-	-	12,146
-	-	-	338,454	515,114
-	-	-	140,040	494,655
-	41,325	-	572,591	646,428
-	-	-	586,960	1,200,699
-	-	-	107,941	107,941
-	-	-	-	89,601
8,992	-	-	12,656	54,981
-	-	-	-	79,149
5,047	-	-	9,330	220,926
504,851	41,325	-	1,767,972	6,844,554
-	-	-	-	88,284
-	-	-	8,291	667,440
-	-	-	26,483	1,313,930
474,266	-	-	950,982	3,126,100
-	-	-	-	18,585
-	-	-	460,230	687,401
-	-	-	176,466	176,466
-	-	-	101,800	101,800
-	41,325	-	5,877	47,202
39,570	-	-	86,578	297,963
513,836	41,325	-	1,816,707	6,525,171
(8,985)	-	-	(48,735)	319,383
-	-	-	-	12,556
-	-	163,056	231,300	991,916
-	-	-	(188,056)	(737,217)
-	-	163,056	43,244	267,255
(8,985)	-	163,056	(5,491)	586,638
283,494	-	(538,056)	797,198	1,919,856
\$ 274,509	\$ -	\$ (375,000)	\$ 791,707	\$ 2,506,494

MISSAUKEE COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2005

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities

Net change in fund balances - total governmental funds \$ 586,638

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	480,601
Subtract: depreciation expense	(239,316)
Subtract: book value of disposed of capital assets	(8,487)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Subtract: decrease in lease receivable	(101,796)
Add: increase in loans receivable	33,587

Note proceeds provide current financial resources to governmental funds in the period issued, but issuing notes increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: current year principal payments on bonds	101,800
Add: current year principal payments on notes	5,292
Subtract: issuance of notes	(12,556)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: decrease in accrued interest on bonds	542
Add: decrease in the accrual of compensated absences	5,184

Change in net assets of governmental activities	\$ 851,489
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The accompanying notes are an integral part of these financial statements.

MISSAUKEE COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
Revenues				
Property taxes	\$ 2,092,336	\$ 2,053,121	\$ 2,050,921	\$ (2,200)
Licenses and permits	10,575	11,275	12,146	871
Intergovernmental				
Federal	77,055	190,143	176,660	(13,483)
State	336,327	340,225	354,615	14,390
Local	32,500	32,500	31,992	(508)
Charges for services	377,318	371,636	385,018	13,382
Reimbursements	100,000	86,500	89,601	3,101
Interest	11,000	19,000	20,309	1,309
Rental revenue	80,350	80,350	79,149	(1,201)
Other revenue	152,700	185,065	194,667	9,602
Total revenues	3,270,161	3,369,815	3,395,078	25,263
Legislative				
Board of Commissioners	66,520	89,678	88,284	(1,394)
Judicial				
Circuit court	392,748	432,006	436,020	4,014
District court	119,327	114,651	112,547	(2,104)
Jury board	2,150	1,825	1,769	(56)
Probate Court	108,528	110,200	108,813	(1,387)
Total judicial	622,753	658,682	659,149	467
General government				
Elections	6,674	12,324	12,325	1
Clerk/Register of deeds	224,460	220,933	220,092	(841)
Equalization	169,663	167,168	167,174	6
Prosecuting Attorney	236,705	241,021	240,566	(455)
Treasurer	135,128	142,216	139,406	(2,810)
Cooperative extension	65,219	67,103	66,370	(733)
Record copy	64,500	71,500	82,935	11,435
Building and grounds	243,086	253,772	249,592	(4,180)
Soil conservation	30,491	31,855	31,816	(39)
Survey and remonumentatin	40,000	42,123	42,123	-
Special appropriations	35,048	35,048	35,048	-
Total general government	1,250,974	1,285,063	1,287,447	2,384

(Continued)

The accompanying notes are an integral part of these financial statements.

MISSAUKEE COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
Public safety				
Sheriff	\$ 282,768	\$ 281,662	\$ 281,227	\$ (435)
Marine law enforcement	27,147	27,520	27,434	(86)
Snowmobile patrol	9,296	10,288	10,194	(94)
Road patrol	77,413	76,951	76,864	(87)
CJ training grant	5,050	5,177	5,070	(107)
Gasoline	-	2,400	2,400	-
Jail	485,412	706,090	703,073	(3,017)
Inmate work program	13,209	10,484	10,472	(12)
Planning commission	51,057	56,240	54,644	(1,596)
Public safety grant expenditures	18,555	126,045	125,973	(72)
Animal control	900	250	249	(1)
ORV enforcement	16,895	14,683	14,566	(117)
TNT grant match	28,000	34,505	34,121	(384)
Total public safety	1,015,702	1,352,295	1,346,287	(5,624)
Public works				
Recycling center	15,000	18,500	18,585	85
Health and welfare				
District health department	142,683	140,460	139,133	(1,327)
Northwest senior resources	3,013	3,014	3,014	-
Mental health	35,272	35,272	35,272	-
Substance abuse	16,047	16,935	16,935	-
Medical Examiner	10,500	6,350	6,330	(20)
Veterans Affairs	9,811	8,215	7,899	(316)
Total health and welfare	217,326	210,246	208,583	(1,663)
Capital outlay	-	46,600	46,543	(57)
Total expenditures	3,188,275	3,661,064	3,654,878	(5,802)

(Continued)

The accompanying notes are an integral part of these financial statements.

MISSAUKEE COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues over (under) expenditures	\$ 81,886	\$ (291,249)	\$ (259,800)	\$ 31,065
Other financing sources (uses)				
Note proceeds	-	-	12,556	12,556
Transfers in	445,129	597,560	597,560	-
Transfers out	(254,000)	(306,311)	(306,306)	5
Total other financing sources (uses)	191,129	291,249	303,810	12,561
Net change in fund balance	273,015	-	44,010	44,010
Fund balance, beginning of year	169,150	169,150	169,150	-
Fund balance, end of year	\$ 442,165	\$ 169,150	\$ 213,160	\$ 44,010

(Concluded)

The accompanying notes are an integral part of these financial statements.

MISSAUKEE COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL EMERGENCY SERVICES SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
Revenues				
Property taxes	\$ 202,114	\$ 202,114	\$ 203,215	\$ 1,101
Intergovernmental				
Local	1,000	1,000	520	(480)
Charges for services	200,000	260,000	228,721	(31,279)
Interest	3,500	3,500	13,024	9,524
Other revenue	-	-	538	538
Total revenues	406,614	466,614	446,018	(20,596)
Expenditures				
Public safety	369,099	378,129	354,565	(23,564)
Capital outlay	54,649	125,610	125,272	(338)
Total expenditures	423,748	503,739	479,837	(23,902)
Net change in fund balance	(17,134)	(37,125)	(33,819)	3,306
Fund balance, beginning of year	663,425	663,425	663,425	-
Fund balance, end of year	\$ 646,291	\$ 626,300	\$ 629,606	\$ 3,306

The accompanying notes are an integral part of these financial statements.

MISSAUKEE COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL TAX RESERVE SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under)
				Final Budget
Revenues				
Property taxes	\$ -	\$ -	\$ 677,966	\$ 677,966
Other financing uses				
Transfers out	(244,997)	(394,029)	(242,855)	(151,174)
Net change in fund balance	(244,997)	(394,029)	435,111	829,140
Fund balance, beginning of year	526,793	526,793	526,793	-
Fund balance, end of year	\$ 281,796	\$ 132,764	\$ 961,904	\$ 829,140

The accompanying notes are an integral part of these financial statements.

MISSAUKEE COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL HOUSING SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
Revenues				
Other revenue	\$ 30,000	\$ 30,000	\$ 11,344	\$ (18,656)
Expenditures				
Health and welfare	<u>30,000</u>	<u>30,000</u>	<u>18,588</u>	<u>(11,412)</u>
Net change in fund balance	-	-	(7,244)	(7,244)
Fund balance, beginning of year	<u>17,852</u>	<u>17,852</u>	<u>17,852</u>	<u>-</u>
Fund balance, end of year	<u>\$ 17,852</u>	<u>\$ 17,852</u>	<u>\$ 10,608</u>	<u>\$ (7,244)</u>

The accompanying notes are an integral part of these financial statements.

MISSAUKEE COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL SHERIFF SPECIAL FORCES SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Property taxes	\$ 488,185	\$ 491,185	\$ 490,812	\$ (373)
Interest	3,000	9,000	8,992	(8)
Other revenue	3,000	10,536	5,047	(5,489)
Total revenues	494,185	510,721	504,851	(5,870)
Expenditures				
Public safety	586,029	494,904	474,266	(20,638)
Capital outlay	-	39,570	39,570	-
Total expenditures	586,029	534,474	513,836	(20,638)
Revenues over (under) expenditures	(91,844)	(23,753)	(8,985)	(14,768)
Other financing sources				
Transfers in	100,053	100,053	-	(100,053)
Net change in fund balance	8,209	76,300	(8,985)	(85,285)
Fund balance, beginning of year	283,494	283,494	283,494	-
Fund balance, end of year	\$ 291,703	\$ 359,794	\$ 274,509	\$ (85,285)

The accompanying notes are an integral part of these financial statements.

MISSAUKEE COUNTY, MICHIGAN

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

DECEMBER 31, 2005

	Unpledged	2003 Tax Levy	2004 Tax Levy	Other Enterprise Funds	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 358,081	\$ 670,196	\$ 974,564	\$ 46,085	\$ 2,048,926
Receivables					
Accounts	-	-	-	50	50
Taxes receivable-delinquent	540	33,067	384,811	5,257	423,675
Interest	420	10,432	38,453	2,021	51,326
Due from other governments	-	16	600	4	620
Due from other funds	2,177,798	-	-	264,927	2,442,725
Total current assets	2,536,839	713,711	1,398,428	318,344	4,967,322
Liabilities					
Current liabilities					
Accrued liabilities	-	21,360	-	185	21,545
Due to other funds	-	646,177	1,320,774	-	1,966,951
Total current liabilities	-	667,537	1,320,774	185	1,988,496
Net assets					
Unrestricted	\$ 2,536,839	\$ 46,174	\$ 77,654	\$ 318,159	\$ 2,978,826

The accompanying notes are an integral part of these financial statements.

MISSAUKEE COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Unpledged</u>	<u>2003 Tax Levy</u>	<u>2004 Tax Levy</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Operating revenues					
Charges for services	\$ (66)	\$ 35,484	\$ 116,642	\$ 2,524	\$ 154,584
Operating expenses					
Other	(206)	7,637	45	-	7,476
Operating income (loss)	140	27,847	116,597	2,524	147,108
Nonoperating revenue					
Interest revenue	-	-	-	40,774	40,774
Income (loss) before transfers	140	27,847	116,597	43,298	187,882
Transfers					
Transfers in	24,085	-	-	103,616	127,701
Transfers out	(5,928)	-	(38,943)	(337,529)	(382,400)
Total transfers	18,157	-	(38,943)	(233,913)	(254,699)
Change in net assets	18,297	27,847	77,654	(190,615)	(66,817)
Net assets, beginning of year	2,518,542	18,327	-	508,774	3,045,643
Net assets, end of year	\$ 2,536,839	\$ 46,174	\$ 77,654	\$ 318,159	\$ 2,978,826

The accompanying notes are an integral part of these financial statements.

MISSAUKEE COUNTY, MICHIGAN

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Unpledged</u>	<u>2003 Tax Levy</u>	<u>2004 Tax Levy</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Cash flows from operating activities					
Cash receipts from customers	\$ (1,026)	\$ 334,488	\$ (268,769)	\$ 38,793	\$ 103,486
Cash receipts from interest and penalties	-	21,971	(38,453)	9,095	(7,387)
Cash payments to other governmental agencies	206	13,723	(45)	185	14,069
Cash payments for delinquent tax rolls	-	-	1,320,774	-	1,320,774
Net cash provided by (used in) operating activities	(820)	370,182	1,013,507	48,073	1,430,942
Cash flows from non-capital financing activities					
Due from other funds	(601,386)	151,174	-	(264,549)	(714,761)
Due to other funds	-	(392,179)	-	-	(392,179)
Transfer in	24,085	-	-	103,616	127,701
Transfer out	(5,928)	-	(38,943)	(337,529)	(382,400)
Net cash provided by (used in) by non-capital financing activities	(583,229)	(241,005)	(38,943)	(498,462)	(1,361,639)
Cash flows from investing activities					
Interest received	-	-	-	40,774	40,774
Net increase (decrease) in cash and cash equivalents	(584,049)	129,177	974,564	(409,615)	110,077
Cash and cash equivalents, beginning of year	942,130	541,019	-	455,700	1,938,849
Cash and cash equivalents, end of year	\$ 358,081	\$ 670,196	\$ 974,564	\$ 46,085	\$ 2,048,926
Reconciliation of operating income (loss) to net cash provided by (used in) by operating activities					
Operating income (loss)	\$ 140	\$ 27,847	\$ 116,597	\$ 2,524	\$ 147,108
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Changes in assets and liabilities					
Accounts receivable	-	-	-	330	330
Taxes receivables - delinquent	(540)	297,006	(384,811)	35,943	(52,402)
Interest receivable	(420)	21,971	(38,453)	9,095	(7,807)
Due from other governments	-	1,998	(600)	185	1,583
Accrued liabilities	-	21,360	-	(4)	21,356
Due to other funds	-	-	1,320,774	-	1,320,774
Net cash provided by (used in) operating activities	\$ (820)	\$ 370,182	\$ 1,013,507	\$ 48,073	\$ 1,430,942

The accompanying notes are an integral part of these financial statements.

MISSAUKEE COUNTY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

DECEMBER 31, 2005

	Agency Funds
	<hr/>
Assets	
Cash and cash equivalents	\$ 466,694
	<hr/>
Liabilities	
Undistributed taxes	\$ 367,586
Undistributed collections	57,007
Court bonds payable	42,101
	<hr/>
Total liabilities	\$ 466,694
	<hr/>

The accompanying notes are an integral part of these financial statements.

MISSAUKEE COUNTY, MICHIGAN

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

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MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The County of Missaukee, Michigan (the "County") was incorporated under the laws of the State of Michigan in 1871 and operates under an elected Commission form of government. The County is governed by an elected seven-member board. The County's services, assistance and care include the (1) general County departments, boards and commissions; (2) court system administration; (3) law enforcement and corrections; (4) assistance and/or institutional care to the aged, needy, wards of the court and neglected children and public and mental health recipients; and (5) recreation.

The accounting policies of the County conform to generally accepted accounting principles as applicable to state and local governments. The following is a summary of the more significant accounting policies.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the County and its discretely presented component units. The discretely presented component units discussed below should be included in the County's reporting entity because they are entities for which the government is considered to be financially accountable.

Missaukee County Road Commission - members of the governing board of the Road Commission are elected by County electors. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, bonded debt must be approved by the County Board of Commissioners.

District Health Department #10 - (the Health Department) is a municipal authority comprising Lake, Newaygo, Oceana, Missaukee, Mecosta, Manistee, Wexford, Crawford, Mason and Kalkaska Counties. It operates under an appointed Board of Health and provides services to its residents in the area of public health. The Health Department is considered a component unit under the oversight authority of the County of Missaukee. As such, it is an integral part of Missaukee County's reporting entity. The Department is audited and reported on as of September 30, for a twelve-month fiscal year.

Missaukee County Council on Aging - In 1999, the County of Missaukee and the District Health Department No. 10 entered into an intergovernmental agreement creating the Missaukee County Council on Aging (MCCOA) under the authority of PA 7 of 1967. The MCCOA is legally separate from the County and is governed by nine members, all of which are appointed by the Missaukee County Board of Commissioners. As of December 31, 2005, two (2) Commissioners from the County served on the MCCOA Board of Directors. The MCCOA provides activities and services to all persons 60 years or older residing in Missaukee County. Separate financial statements are not available for MCCOA.

MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Complete financial statements of the component units can be obtained as follows:

Missaukee County Road Commission
1199 N. Morey Road
Lake City, Michigan 49651

District Health Department # 10
401 N. Lake Street
Cadillac, Michigan 49601

Regional Joint Operations

The County participates jointly in the operation of the North Central Community Mental Health Authority with Grand Traverse, Leelanau, Crawford, Roscommon and Wexford Counties. All financial operations of the Authority are recorded in Wexford County financial statements. The funding formula requires the County to provide approximately 3.5% of the local unit budget appropriation requirement, which amounted to \$35,272 for the year ended December 31, 2005.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grants, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if received within 180 days of year end. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the delinquent tax revolving enterprise funds are interest and penalties on delinquent taxes. Operating expenses for enterprise funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted sources first, then unrestricted resources as they are needed.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Emergency Services Special Revenue Fund* accounts for a property tax millage, charges for services and expenditures of the County's ambulance and emergency medical services.

MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

The *Tax Reserve Fund* accounts for the funding mechanism to serve as a substitute for State revenue sharing payments.

The *Housing Special Revenue Fund* accounts for the program income and revenue from the CDBG revolving loan fund started through federal grants received over several years.

The *Sheriff Special Forces Special Revenue Fund* accounts for the property tax millage and expenditures related to a voter approved millage to provide additional law enforcement services.

The *Missaukee Sanitary Drainage District No. 2 Debt Service Fund* accounts for the resources accumulated from the local municipalities and payments made for principal and interest on long-term general obligation debt.

The *Capital Reserve Capital Project Fund* accounts for loans received from the delinquent tax revolving funds used to finance the jail expansion project.

The government reports the following major proprietary funds:

The *Unpledged Enterprise Fund* accounts for funds from 1998 and previous years delinquent tax collection activity.

The *2003 Tax Levy Enterprise Fund* accounts for funds paid to each local governmental unit, including the County General Fund, for their respective amount of taxes not collected as of March 1st from the 2003 tax levy. Financing for these purchases was provided by the collection of previous years delinquent property taxes by the County Treasurer.

The *2004 Tax Levy Enterprise Fund* accounts for funds paid to each local governmental unit, including the County General Fund, for their respective amount of taxes not collected as of March 1st from the 2004 tax levy. Financing for these purchases was provided by the collection of previous years delinquent property taxes by the County Treasurer.

Additionally, the government reports the following fund types:

The *Special Revenue Funds* are used to account for proceeds from specific revenue sources (other than perpetual trusts or major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

The *Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The *Capital Projects Fund* account for the accumulation and disbursement of resources for the construction of major capital projects.

The *Enterprise Funds* are used to account for funds paid to each local governmental unit, including the County General Fund, for their respective amount of taxes not collected as of March 1st from previous years' tax levies. Financing for these purchases was provided by the collection of previous years delinquent property taxes by the County Treasurer.

MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

The *Agency Funds* account for assets held for other governments in an agency capacity, specifically in the trust and agency fund, library penal fine fund, district court fund and inmate trust fund.

D. Assets, liabilities and net assets or equity

1. *Cash and Interest Bearing Deposits*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans.) All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Loans and leases receivable of \$607,323 and \$874,000, respectively, are not expected to be collected within one year.

3. *Taxes Receivable – Current*

Beginning in 2005, property taxes are levied as of December 1 and July 1 on property values assessed as of the same date. The levy is in year two of a three year transition which will gradually move up the entire County levy to July. In 2006, counties will levy two thirds of their millage for use in 2006. Since the property taxes levied December 1, 2005 are for the operations of future years, one third of the operating millage receivable is offset by deferred revenue. The remaining two thirds is held in the tax reserve fund. The taxes levied December 1 are due on February 14 of the following year and taxes levied July 1 are due on September 14 after which the applicable property is subject to lien, and penalties and interest are assessed.

4. *Delinquent Taxes Receivable*

The delinquent taxes receivable, which are recorded in the enterprise funds, consist of unpaid balances of delinquent real property taxes which were purchased from all of the taxing units in Missaukee County by the County's delinquent tax funds.

MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

5. *Leases Receivable*

The County has entered into various lease agreements with local governments to issue bonded debt and to manage the construction of water and sewer systems in those jurisdictions. These agreements generally terminate with the retirement of the related bond issues. Leases receivable are reported at an amount equal to the lesser of the actual bond-financed construction costs incurred to date or the outstanding bond principal. Annual lease payments under these agreements are equal to the related bond principal and interest due each year. At termination of a lease, title to the leased property is passed to the particular local governments.

Under the accrual basis of accounting and the provisions of FASB (Financial Accounting Standards Board) Statement No. 13, *Accounting for Leases*, the leases are classified as sales leases. As a result, leases receivable are recognized in the accompanying statement of net assets, whereas capital assets are not.

All lease agreements provide for the lessees to use, operate and maintain the systems, at their own expense, subject to the terms and conditions of the agreement.

6. *Inventory*

The Road Commission component unit inventory consists of equipment parts and supplies of \$162,170 and road materials of \$29,012. Inventory is stated at cost based on the weighted-average cost method. Inventory items are charged to equipment repairs and operations and to road construction and maintenance as used. Inventory is reported under the caption "Prepaid items and other assets" on the Statement of Net Assets.

7. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

8. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities and component unit columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government and component units are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Vehicles	7-25
Equipment	5-10
Infrastructure	5-50

9. Advance from State

The State of Michigan has advanced funds to the Road Commission component unit for the purchase of equipment and for trunkline maintenance. Each advance is an annual advance with appropriate adjustments made each year to reflect the current balance based on an applicable formula developed by the Michigan Department of Transportation.

10. Unearned/Deferred Revenue

In the fund financial statements, governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. In the government-wide financial statements, as of December 31, 2005, unearned revenue in governmental activities consist of taxes receivable not yet earned in the amount of \$1,552,014.

11. Compensated Absences

Primary government

County employees are granted vacation hours on their anniversary date of hire. The number of hours is dependent upon years of service. Unused vacation hours are accrued at fiscal year-end. Employees are only allowed to carryover a maximum of 40 hours at their anniversary date.

Until 1998, sick leave hours were credited to each AFSCME union employee as earned during a calendar year. As of September 19, 1998 sick leave no longer existed and the sick leave accrued as of that date was multiplied by the employee's straight time rate of pay and placed in a "bank". Upon death or retirement the bank will be paid at one hundred percent. Since 1998, paid time off ("PTO") has replaced sick and vacation leave for AFSCME union employees.

All vacation and sick leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Road Commission Component unit

County road employees earn vacation and personal leave in varying amounts depending on the number of years of service. Accumulated vacation may not exceed the total earned for any given year per the union contract. Non-union employees are also subject to the vacation provisions embodied in the union contract. Sick leave is accumulated at the rate of one day for each month of service with accumulation not to exceed 640 hours. The policy also provides that employees, who separate from employment with the Road Commission, will be paid for a certain portion of the accumulated sick leave.

12. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bonds premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

13. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

During the November board meeting of each year the Board of Commissioners shall, by resolution, adopt the budget for the next fiscal year.

The budget document presents information by fund, function, department, and line items. The County Administrator may make transfers of appropriations between departments within any funds (the legal level of budgetary control); however any supplemental appropriations that amend the total expenditures of any fund require Board of Commissioner's resolution.

MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

The following funds had excess of expenditures over appropriation at the legal level of budgetary control:

General Fund	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Circuit court	\$432,006	\$436,020	\$(4,014)
Elections	12,324	12,327	(1)
Equalization	167,168	167,174	(6)
Record copy	71,500	82,935	(11,435)
Recycling center	18,500	18,585	(85)

B. Deficit fund equity

For the year ended December 31, 2005, the Capital Reserve Capital Projects Fund ended with a deficit unreserved fund balance of \$(375,000). In the Capital Reserve Capital Projects Fund significant expenditures were incurred by the fund for the jail expansion project, which were paid via long-term advances from the County's Delinquent Tax Collection Funds. The deficit fund balance will be eliminated as future jail related revenue is collected.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Board of Commissioners has designated three banks for the deposit of County funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, interest bearing savings and checking accounts, repurchase agreements, bankers' acceptance of United States banks, federal agency instruments, money market funds with a net asset value of \$1.00 per share, commercial paper within the two highest classifications and negotiable and non-negotiable certificates of deposits, but not the remainder of State statutory authority as listed above.

The County's deposits and investment policy are in accordance with county and statutory authority.

MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Cash and cash equivalents are reported in the financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and cash equivalents	\$ <u>2,030,578</u>	\$ <u>2,048,926</u>	\$ <u>446,694</u>	\$ <u>4,526,198</u>	\$ <u>1,550,751</u>

For purpose of deposit and investment footnote presentation, a reconciliation of cash and cash equivalents is as follows:

Road commission deposits	\$ 827,647
County deposits	4,682,267
County cash on hand	27,918
County certificates of deposit	<u>714,621</u>
Total	<u>\$6,252,453</u>

The difference between Health Department component unit cash and cash equivalents reported at September 30, 2005 and cash held by the treasurer on behalf of the Health Department at December 31, 2005 is \$(175,504). Road component unit cash and cash equivalents of \$827,647 had a bank balance of \$906,211 of which \$706,211 was uninsured and uncollateralized.

The bank balance of the government's deposits held by the County Treasurer including the component units is \$5,611,461. Of the bank balance, \$3,905,275 was covered by federal depository insurance. The remaining balance of \$1,706,186 was uninsured and uncollateralized.

MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

B. Capital assets

Capital assets activity for the year ended December 31, 2005 was as follows:

<u>Primary government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 353,423	\$ -	\$ -	\$ 353,423
Capital assets being depreciated				
Buildings	3,233,658	130,625	-	3,364,283
Equipment	768,292	91,233	(19,069)	840,456
Vehicles	<u>400,385</u>	<u>258,743</u>	<u>(64,569)</u>	<u>594,559</u>
Total capital assets being depreciated	<u>4,402,335</u>	<u>480,601</u>	<u>(83,638)</u>	<u>4,799,298</u>
Less accumulated depreciation for				
Buildings	1,019,743	95,107	-	1,114,850
Equipment	578,063	101,402	(15,667)	663,798
Vehicles	<u>336,205</u>	<u>42,807</u>	<u>(59,484)</u>	<u>319,528</u>
Total accumulated depreciation	<u>1,934,011</u>	<u>239,316</u>	<u>(75,151)</u>	<u>2,098,176</u>
Total capital assets being depreciated, net	<u>2,468,324</u>	<u>241,285</u>	<u>8,487</u>	<u>2,701,122</u>
Governmental activities capital assets, net	<u>\$ 2,821,747</u>	<u>\$ 241,285</u>	<u>\$ 8,487</u>	<u>\$ 3,054,545</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
Judicial	\$ 4,116
General government	63,854
Public safety	141,845
Recreation and cultural	<u>29,501</u>
Total depreciation expense – governmental activities	<u>\$ 239,316</u>

MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Discretely Presented Component Units

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Road Commission				
Capital assets not being Depreciated –				
Land	\$ 650	\$ -	\$ -	\$ 650
Capital assets being depreciated				
Land improvements	100,364	-	-	100,364
Buildings	1,284,744	6,350	-	1,291,094
Equipment	4,000,839	509,436	(246,646)	4,263,629
Infrastructure	29,841,104	1,022,027	-	30,863,131
Total capital assets being depreciated	<u>35,227,051</u>	<u>1,537,813</u>	<u>(246,646)</u>	<u>36,518,218</u>
Less accumulated depreciation for				
Land improvements	41,633	5,159	-	46,792
Buildings	354,338	37,984	-	392,322
Equipment	3,340,295	332,957	(246,646)	3,426,606
Infrastructure	<u>12,493,280</u>	<u>1,426,820</u>	<u>-</u>	<u>13,420,100</u>
Total accumulated depreciation	<u>16,229,546</u>	<u>1,802,420</u>	<u>(246,646)</u>	<u>17,785,820</u>
Total capital assets being depreciated, net	<u>18,997,505</u>	<u>(265,107)</u>	<u>-</u>	<u>18,732,398</u>
Governmental activities capital assets, net	<u>\$ 18,998,155</u>	<u>\$ (265,107)</u>	<u>\$ -</u>	<u>\$ 18,733,048</u>
Health Department				
Capital assets being depreciated				
Equipment	\$ 684,068	\$ 99,957	\$ -	\$ 784,025
Less accumulated depreciation	<u>298,129</u>	<u>84,772</u>	<u>-</u>	<u>382,901</u>
Total capital assets being depreciated, net	<u>\$ 385,939</u>	<u>\$ 15,185</u>	<u>\$ -</u>	<u>\$ 401,124</u>

MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

C. Interfund receivables, payables and transfers

The composition of interfund balances is as follows:

	Due From Other Funds				Total
	General fund	Nonmajor Governmental Funds	Nonmajor Proprietary Funds	Unpledged Fund	
Due to other funds					
General fund	\$ -	\$2,158	\$100,000	\$ -	\$ 102,158
2004 tax levy	-	-	-	1,320,774	1,320,774
2003 tax levy	-	-	-	646,177	646,177
Capital reserve	-	-	164,927	210,073	375,000
Nonmajor governmental funds	385	3,207	-	774	4,366
Total	\$385	\$5,365	\$264,927	\$2,177,798	\$2,448,475

Interfund receivables and payables are established to cover cash deficits and short-term financing of certain operations.

Transfers in						
Transfer out	General Fund	Capital Reserve	Unpledged Fund	Non-Major Governmental Funds	Non-Major Business-type Funds	Total
General Fund	\$ 50,000	\$ -	\$ -	\$231,300	\$ 25,006	\$ 306,306
			-			
Non-Major Governmental Funds	25,000	163,056			-	188,056
Tax Reserve Fund	242,855	-	-			242,855
Unpledged Fund	-	-	5,928		-	5,928
Non-Major Business Type Funds	279,705	-	18,157	-	39,667	337,529
2004 Tax Levy Fund	-	-	-	-	38,943	38,943
Total	\$597,560	\$163,056	\$24,085	\$231,300	\$103,616	\$1,119,617

Interfund transfers are for subsidizing funds expenditures and using unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and to close the net assets of prior years' tax levies into the Unpledged Enterprise Fund.

MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

D. Long-term debt

Primary government

The following is a summary of primary government long-term debt transactions for the year ended December 31, 2005:

	<u>Primary Government</u>		
	<u>Governmental Activities General Obligation Debt</u>	<u>Governmental Activities Note Payable</u>	<u>Governmental Activities Compensated Absences</u>
Long-term Debt at January 1, 2005	\$ 975,800	\$ 4,246	\$ 95,744
Additions	-	12,556	92,131
Reductions	<u>101,800</u>	<u>5,292</u>	<u>97,315</u>
Long-term Debt at December 31, 2005	<u>\$ 874,000</u>	<u>\$ 11,510</u>	<u>\$ 90,560</u>
Due Within One Year	<u>\$ 11,000</u>	<u>\$ 6,278</u>	<u>\$ 4,265</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

General Obligation Debt consists of general obligation bonds of the Department of Public Works and an installment purchase note payable for the purchase of equipment. Department of Public Works bonds are for Township and City sewer disposal systems. The bonds are direct obligations of the respective Township or City and an indirect obligation of the County.

Long-term debt at December 31, 2005 is comprised of the following individual issues:

<u>General Obligation Debt Description</u>	<u>Balance Interest Rates</u>	<u>Maturing Year</u>	<u>Outstanding at 12/31/05</u>
McBain Sanitary Sewer Bonds 1979	5%	2011	\$ 64,000
Missaukee Sanitary Drainage District No. 2 Drain Bonds – 1993	4.2 – 7.0%	2011	<u>810,000</u>
			<u>\$874,000</u>

MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Annual debt service requirements for the primary government's general obligation debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 11,000	\$ 43,425	\$ 54,425
2007	11,000	42,875	53,875
2008	127,000	39,425	166,425
2009	237,000	30,325	267,425
2010	243,000	18,325	261,325
2011	<u>245,000</u>	<u>6,125</u>	<u>251,125</u>
Total	<u>\$ 874,000</u>	<u>\$ 180,500</u>	<u>\$1,054,500</u>

Interest expense included in governmental activities totals \$46,660 and is reported within the public works function.

Annual debt service requirements for the primary government's note payable is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 6,278	\$ -	\$ 6,278
2007	<u>5,232</u>	<u>-</u>	<u>5,232</u>
Total	<u>\$ 11,510</u>	<u>\$ -</u>	<u>\$ 11,510</u>

Discretely Presented Component Units

Changes in component unit's long-term debt are as follows:

	<u>Balance 12/31/04</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance 12/31/05</u>	<u>Due In One Year</u>
Road Commission					
Compensated absences	<u>\$129,891</u>	<u>\$ 5,082</u>	<u>\$ -</u>	<u>\$ 134,973</u>	<u>\$13,497</u>
District Health Department					
No. 10 - Compensated absences	<u>\$440,805</u>	<u>\$ -</u>	<u>\$ (1,801)</u>	<u>\$ 439,004</u>	<u>\$ -</u>

MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION

A. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance for general liability, workers compensation and health insurance risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Missaukee County Road Commission component unit manages its liability and property risk by participating in the Michigan County Road Commission Self Insurance Pool and the County Road Association Self Insurance Fund (for workers compensation). These insurance providers are public entity risk pools providing coverage to its members. The Missaukee County Road Commission pays an annual premium to these providers for its insurance coverage. These providers are self-sustaining through member premiums and provide, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based on property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

B. Contingencies

There are lawsuits pending in which the County is involved. The County estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

The County participates in a number of Federal and State assisted grant programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts if any, to be immaterial.

The Missaukee County Road Commission contracts with the State of Michigan to perform state highway maintenance fluctuations for the State. The cost of the maintenance is then billed to the State of Michigan who reimburses the Missaukee County Road Commission for the costs incurred. These cost reimbursement contract expenditures are subject to audit at some future date by the State of Michigan. The amount, if any, of expenditures which may be disallowed by the State of Michigan cannot be determined until the State completes its annual audit of its maintenance agreements with the Missaukee County Road Commission. The audit adjustment is accounted for as an adjustment of current year's expenditures.

MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

C. Pension Plans

Primary Government Defined Contribution Plan

The County participates in the Missaukee County defined contribution pension plan covering approximately half of the County's employees. The plan is administered by Nationwide Life Insurance. A defined contribution pension plan provides pension benefits in return for services rendered; provides an individual account for each participant and specifies how contributions to the individuals' account are to be determined instead of specifying the amount of benefits the individual is to receive. Such benefits depend solely on the amount of those contributions, and forfeitures of other participant's benefits prior to vesting. Contributions to the plan are made by the County based upon a percent of employees base salaries, which ranges from 0 to 8 percent depending on years of service. The County contributed \$56,809 to the plan on behalf of eligible employees. Employees do not contribute to the plan. Plan provisions and contribution requirements are established and may be amended by the County Board of Commissioners.

Sheriff's Department Defined Benefit Plan

Plan Description. The County's Sheriff Department participates in a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The County participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's collective bargaining unit and personnel policy, which requires employees to contribute 2% of payroll to the plan. The County is required to contribute at an actuarially determined rate: the rate set for the year ended December 31, 2005 is based on the December 31, 2003 actuarial valuation, and as a percent of payroll was 10.67 percent for elected officials and 13.83 for the sheriff's department.

Annual Pension Cost

During the fiscal year ended December 31, 2005, the County's actual contributions totaling \$140,080 were equal to its annual pension cost and were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2003. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years on an open basis. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the

MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

member's retirement to pay for his/her projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity and promotional salary increases. The latest actuarial valuation of the Plan was December 31, 2004.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/03	\$ 92,386	100%	\$ -
12/31/04	89,484	100	-
12/31/05	140,080	100	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/02	\$1,145,382	\$1,734,825	\$ 589,443	66%	\$ 826,255	71%
12/31/03	1,353,330	2,489,643	1,136,313	54%	883,972	128%
12/31/04	1,606,551	2,722,806	1,116,255	59%	1,007,864	118%

Road Commission - discretely presented component unit

Defined contribution plan

The Missaukee County Road Commission Money Purchase Pension Plan, a single employer plan, covers substantially all of its full-time employees. The employer contributes 10% of covered payroll. No employee contributions are allowed.

The Road Commission's contributions for the year amounted to \$96,126 (10% of covered payroll). The investments are invested in the Public Employers Retirement Trust/Michigan

Distributions from the plan will be made upon termination of employment or upon retirement, on or after normal retirement age of 62.

MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

District Health Department No. 10 - discretely presented component unit

Defined benefit pension plan

Plan Description

The Health Department participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan administered by the MERS retirement board, that covers all employees of the Health Department employed prior to October 1, 1997. The system provides retirement, disability and death benefits to plan members and their beneficiaries. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the Health Department at P.O. Box 8305, White Cloud, Michigan, 49349.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Health Department Board.

Annual Pension Cost

For the plan year ended December 31, 2005, the Health Department's annual pension cost of \$492,423 for the plan was equal to the Health Department's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 2.5 percent per year cost of living adjustments. Both (a) and (b) included an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 36 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/02	\$788,759	100 %	\$ -
12/31/03	493,058	100	-
12/31/04	492,423	100	-

MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/02	\$11,462,656	\$17,007,103	\$5,544,447	67%	\$2,304,042	241%
12/31/03	12,082,251	18,453,157	6,370,906	65%	2,000,396	318%
12/31/04	12,471,605	18,759,839	6,288,234	66%	1,961,698	321%

Defined contribution plan

The Health Department provides pension benefits to all of its full-time employees employed on or after October 1, 1998 through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Health Department Board, the Health Department contributes 5 percent of employees' gross earnings and employees contribute up to 3 percent of earnings. The Health Department also matches the employee contribution. In accordance with these requirements, the Health Department contributed \$297,077 during the current year, and employees contributed \$111,192.

D. Post retirement benefits other than pension – Road Commission – discretely presented component unit

The Road Commission provides post retirement hospitalization to its retired full-time employees who were hired before 1984.

The Road Commission funds 100% of the premiums of the policies on a pay as you go basis. During 2005, the Road Commission paid deductibles and hospitalization premiums for 15 qualified individuals totaling \$83,288.

E. Operating leases – Health Department – discretely presented component unit

The Health department conducts a substantial portion of its operations in facilities rented under agreements classified as operating leases. Rental expenses under these leases for the period ended September 30, 2005 was \$1,181,183.

MISSAUKEE COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

The following is a schedule by years of minimum future rentals on non-cancelable leases in excess of one year as of September 30, 2005:

<u>Year</u>	<u>Amount</u>
2006	\$1,156,373
2007	29,256
2008	29,256
2009	29,256
2010	29,256
2011-2015	146,280
2016-2020	<u>75,578</u>
Total	<u>\$1,495,255</u>

F. Reserved Fund Balances

	<u>General Fund</u>	<u>Tax Reserve</u>	<u>TNT Forfeiture</u>	<u>Courthouse Expansion</u>	<u>Total</u>
Prepaid items	\$ 58,813	\$ -	\$ -	\$ -	\$ 58,813
Tax reserve	-	961,904			
TNT operations	-	-	247,828	-	247,828
Capital projects	-	-	-	50,111	50,111
Total	<u>\$ 58,813</u>	<u>\$ 961,904</u>	<u>\$ 247,828</u>	<u>\$ 50,111</u>	<u>\$ 356,752</u>

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MISSAUKEE COUNTY, MICHIGAN

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2005

	Special Revenue Funds	Debt Service Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 759,021	\$ -	\$ 50,111	\$ 809,132
Receivables				
Accounts	10	-	-	10
Lease	-	64,000	-	64,000
Due from other funds	5,365	-	-	5,365
Due from other governments	81,629	-	-	81,629
Total assets	\$ 846,025	\$ 64,000	\$ 50,111	\$ 960,136
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 98,073	\$ -	\$ -	\$ 98,073
Accrued liabilities	1,990	-	-	1,990
Due to other funds	4,366	-	-	4,366
Deferred revenue	-	64,000	-	64,000
Total liabilities	104,429	64,000	-	168,429
Fund balances				
Reserved	247,828	-	50,111	297,939
Unreserved				
Undesignated	493,768	-	-	493,768
Total fund balances	741,596	-	50,111	791,707
Total liabilities and fund balances	\$ 846,025	\$ 64,000	\$ 50,111	\$ 960,136

MISSAUKEE COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2005

	Special Revenue Funds	Debt Service Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues				
Intergovernmental				
Federal	\$ 338,454	\$ -	\$ -	\$ 338,454
State	140,040	-	-	140,040
Local	465,077	107,514	-	572,591
Charges for services	586,960	-	-	586,960
Fines and forfeitures	107,941	-	-	107,941
Interest	11,792	-	864	12,656
Other revenue	9,330	-	-	9,330
Total revenues	1,659,594	107,514	864	1,767,972
Expenditures				
Current expenditures				
Judicial	8,291	-	-	8,291
General government	26,483	-	-	26,483
Public safety	950,982	-	-	950,982
Health and welfare	460,230	-	-	460,230
Recreation and cultural	176,466	-	-	176,466
Debt service				
Principal	-	101,800	-	101,800
Interest and fiscal charges	-	5,877	-	5,877
Capital outlay	86,578	-	-	86,578
Total expenditures	1,709,030	107,677	-	1,816,707
Revenues over (under) expenditures	(49,436)	(163)	864	(48,735)
Other financing sources (uses)				
Transfers in	231,300	-	-	231,300
Transfers out	(188,056)	-	-	(188,056)
Total other financing sources (uses)	43,244	-	-	43,244
Net change in fund balances	(6,192)	(163)	864	(5,491)
Fund balances, beginning of year	747,788	163	49,247	797,198
Fund balances, end of year	\$ 741,596	\$ -	\$ 50,111	\$ 791,707

MISSAUKEE COUNTY, MICHIGAN

COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS

DECEMBER 31, 2005

	County Park	County Building Department	Friend of the Court
Assets			
Cash and cash equivalents	\$ 124,029	\$ 13,148	\$ 1,137
Accounts receivable	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Total assets	\$ 124,029	\$ 13,148	\$ 1,137
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	732	1,258	-
Due to other funds	-	-	-
Total liabilities	732	1,258	-
Fund balances			
Reserved	-	-	-
Unreserved			
Undesignated	123,297	11,890	1,137
Total fund balances	123,297	11,890	1,137
Total liabilities and fund balances	\$ 124,029	\$ 13,148	\$ 1,137

Public Improvement	Jail Expansion	Trial Court Improvement	Automation Fund	Law Library	Enhanced E-911
\$ 3,503	\$ 587	\$ 13,233	\$ 1,521	\$ 1	\$ 175,043
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	26,344
\$ 3,503	\$ 587	\$ 13,233	\$ 1,521	\$ 1	\$ 201,387
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,503	587	13,233	1,521	1	201,387
3,503	587	13,233	1,521	1	201,387
\$ 3,503	\$ 587	\$ 13,233	\$ 1,521	\$ 1	\$ 201,387

(Continued)

MISSAUKEE COUNTY, MICHIGAN

COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS

DECEMBER 31, 2005

	Family Independence Agency	Juvenile Justice- Basic Grant	Child Care
Assets			
Cash and cash equivalents	\$ 7,429	\$ 1,063	\$ 66,976
Accounts receivable	-	-	-
Due from other funds	-	-	2,158
Due from other governments	-	1,740	15,275
	<hr/>	<hr/>	<hr/>
Total assets	\$ 7,429	\$ 2,803	\$ 84,409
	<hr/>	<hr/>	<hr/>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 62,771
Accrued liabilities	-	-	-
Due to other funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	-	-	62,771
	<hr/>	<hr/>	<hr/>
Fund balances			
Reserved	-	-	-
Unreserved			
Undesignated	7,429	2,803	21,638
	<hr/>	<hr/>	<hr/>
Total fund balances	7,429	2,803	21,638
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 7,429	\$ 2,803	\$ 84,409
	<hr/>	<hr/>	<hr/>

Veterans Trust	Oil and Gas	Local Emergency Planning	Housing Rehab Program	TNT Forfeiture	04-05 TNT
\$ 6,889	\$ 18,053	\$ 3,774	\$ -	\$ 247,555	\$ 672
-	-	10	-	-	-
-	-	-	-	1,748	1,459
-	-	-	-	-	2
\$ 6,889	\$ 18,053	\$ 3,784	\$ -	\$ 249,303	\$ 2,133
\$ -	\$ -	\$ -	\$ -	\$ 3,804	\$ -
-	-	-	-	-	-
-	-	-	-	1,396	2,133
-	-	-	-	5,200	2,133
-	-	-	-	247,828	-
6,889	18,053	3,784	-	(3,725)	-
6,889	18,053	3,784	-	244,103	-
\$ 6,889	\$ 18,053	\$ 3,784	\$ -	\$ 249,303	\$ 2,133

(Continued)

MISSAUKEE COUNTY, MICHIGAN

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

DECEMBER 31, 2005

	03-04 TNT	Lake City Officer	School Resource Officer	Dare Community Grant	Equipment Grant
Assets					
Cash and cash equivalents	\$ -	\$ 168	\$ 166	\$ 8,452	\$ 576
Accounts receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	37,958	-	-	-	-
Total assets	\$ 37,958	\$ 168	\$ 166	\$ 8,452	\$ 576
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 31,498	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	837	-	-	-	-
Total liabilities	32,335	-	-	-	-
Fund balances					
Reserved	-	-	-	-	-
Unreserved					
Undesignated	5,623	168	166	8,452	576
Total fund balances	5,623	168	166	8,452	576
Total liabilities and fund balances	\$ 37,958	\$ 168	\$ 166	\$ 8,452	\$ 576

<u>Lake Level</u>	<u>Public Safety</u>	<u>Homestead Audit</u>	<u>Missaukee Lake Authority</u>	<u>Total</u>
\$ 58,624	\$ 2,906	\$ 2,558	\$ 958	\$ 759,021
-	-	-	-	10
-	-	-	-	5,365
-	310	-	-	81,629
<u>\$ 58,624</u>	<u>\$ 3,216</u>	<u>\$ 2,558</u>	<u>\$ 958</u>	<u>\$ 846,025</u>
\$ -	\$ -	\$ -	\$ -	\$ 98,073
-	-	-	-	1,990
-	-	-	-	4,366
-	-	-	-	104,429
-	-	-	-	247,828
58,624	3,216	2,558	958	493,768
<u>58,624</u>	<u>3,216</u>	<u>2,558</u>	<u>958</u>	<u>741,596</u>
<u>\$ 58,624</u>	<u>\$ 3,216</u>	<u>\$ 2,558</u>	<u>\$ 958</u>	<u>\$ 846,025</u>

(Concluded)

MISSAUKEE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>County Park</u>	<u>County Building Department</u>	<u>Friend of the Court</u>	<u>Public Improvement</u>
Revenues				
Intergovernmental				
Federal	\$ -	\$ -	\$ -	\$ -
State	-	-	-	-
Local	-	-	1,569	-
Charges for services	269,698	94,648	700	-
Fines and forfeitures	-	-	-	-
Interest	1,983	395	-	196
Other revenue	-	-	-	-
Total revenues	271,681	95,043	2,269	196
Expenditures				
Judicial	-	-	1,530	-
General government	-	-	-	-
Public safety	-	88,861	-	-
Health and welfare	-	-	-	-
Recreation and cultural	153,027	-	-	-
Capital outlay	67,833	4,174	-	-
Total expenditures	220,860	93,035	1,530	-
Revenues over (under) expenditures	50,821	2,008	739	196
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	50,821	2,008	739	196
Fund balances, beginning of year	72,476	9,882	398	3,307
Fund balances, end of year	\$ 123,297	\$ 11,890	\$ 1,137	\$ 3,503

Jail Expansion	Trial Court Improvement	Automation Fund	Law Library	Enhanced E-911
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	94,895
-	-	-	-	-
152,831	13,855	25,451	-	1,720
-	-	-	2,519	-
186	54	110	-	2,555
-	-	-	-	-
153,017	13,909	25,561	2,519	99,170
-	-	-	6,761	-
-	-	25,409	-	-
-	-	-	-	84,522
-	-	-	-	-
-	-	-	-	-
2,360	5,605	-	-	-
2,360	5,605	25,409	6,761	84,522
150,657	8,304	152	(4,242)	14,648
-	-	-	4,100	-
(163,056)	-	-	-	-
(163,056)	-	-	4,100	-
(12,399)	8,304	152	(142)	14,648
12,986	4,929	1,369	143	186,739
\$ 587	\$ 13,233	\$ 1,521	\$ 1	\$ 201,387

(Continued)

MISSAUKEE COUNTY, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2005

	Family Independence Agency	Juvenile Justice- Basic Grant	Child Care	Veterans Trust
Revenues				
Intergovernmental				
Federal	\$ -	\$ -	\$ -	\$ -
State	-	16,726	25,780	2,639
Local	-	-	99,452	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest	-	-	-	-
Other revenue	-	-	-	-
Total revenues	-	16,726	125,232	2,639
Expenditures				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	3,998	18,463	338,893	3,089
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	3,998	18,463	338,893	3,089
Revenues over (under) expenditures	(3,998)	(1,737)	(213,661)	(450)
Other financing sources (uses)				
Transfers in	-	-	227,200	-
Transfers out	-	-	(25,000)	-
Total other financing sources (uses)	-	-	202,200	-
Net change in fund balances	(3,998)	(1,737)	(11,461)	(450)
Fund balances, beginning of year	11,427	4,540	33,099	7,339
Fund balances, end of year	\$ 7,429	\$ 2,803	\$ 21,638	\$ 6,889

<u>Oil and Gas</u>	<u>Local Emergency Planning</u>	<u>Housing Rehab Program</u>	<u>TNT Forfeiture</u>	<u>04-05 TNT</u>
\$ -	\$ 1,292	\$ 43,798	\$ -	\$ 224,606
-	-	-	-	-
-	-	-	58,915	223,463
-	-	-	-	-
-	-	-	105,422	-
39	-	-	2,888	-
925	-	-	-	-
964	1,292	43,798	167,225	448,069
-	-	-	-	-
-	-	-	-	-
-	-	-	170,950	448,069
1,080	552	43,798	-	-
-	-	-	-	-
-	-	-	-	-
1,080	552	43,798	170,950	448,069
(116)	740	-	(3,725)	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(116)	740	-	(3,725)	-
18,169	3,044	-	247,828	-
\$ 18,053	\$ 3,784	\$ -	\$ 244,103	\$ -

(Continued)

MISSAUKEE COUNTY, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2005

	03-04 TNT	Lake City Officer	School Resource Officer	Dare Community Grant
Revenues				
Intergovernmental				
Federal	\$ 62,152	\$ -	\$ -	\$ -
State	-	-	-	-
Local	68,404	12,981	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest	-	-	-	47
Other revenue	-	-	-	8,405
Total revenues	130,556	12,981	-	8,452
Expenditures				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	124,933	12,813	17,694	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	124,933	12,813	17,694	-
Revenues over (under) expenditures	5,623	168	(17,694)	8,452
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	5,623	168	(17,694)	8,452
Fund balances, beginning of year	-	-	17,860	-
Fund balances, end of year	\$ 5,623	\$ 168	\$ 166	\$ 8,452

Equipment Grant	Lake Level	Public Safety	Homestead Audit	Missaukee Lake Authority	Total
\$ 6,606	\$ -	\$ -	\$ -	\$ -	\$ 338,454
-	-	-	-	-	140,040
293	-	-	-	-	465,077
-	-	3,660	-	24,397	586,960
-	-	-	-	-	107,941
-	1,095	-	2,244	-	11,792
-	-	-	-	-	9,330
6,899	1,095	3,660	2,244	24,397	1,659,594
-	-	-	-	-	8,291
-	-	-	1,074	-	26,483
-	-	3,140	-	-	950,982
-	50,357	-	-	-	460,230
-	-	-	-	23,439	176,466
6,606	-	-	-	-	86,578
6,606	50,357	3,140	1,074	23,439	1,709,030
293	(49,262)	520	1,170	958	(49,436)
-	-	-	-	-	231,300
-	-	-	-	-	(188,056)
-	-	-	-	-	43,244
293	(49,262)	520	1,170	958	(6,192)
283	107,886	2,696	1,388	-	747,788
\$ 576	\$ 58,624	\$ 3,216	\$ 2,558	\$ 958	\$ 741,596

(Concluded)

MISSAUKEE COUNTY, MICHIGAN

COMBINING BALANCE SHEET NONMAJOR DEBT SERVICE FUNDS

DECEMBER 31, 2005

	McBain Sanitary Sewer	Drain Notes M-66 Branch Sanitary Drain Series - 1996	Missaukee Sanitary Drain No. 1 Series - 1997	Total
Assets				
Lease receivable	\$ 64,000	\$ -	\$ -	\$ 64,000
Total assets	\$ 64,000	\$ -	\$ -	\$ 64,000
Liabilities				
Deferred revenue	\$ 64,000	\$ -	\$ -	\$ 64,000
Fund Balances				
Reserved	-	-	-	-
Total liabilities and fund balance	\$ 64,000	\$ -	\$ -	\$ 64,000

MISSAUKEE COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR DEBT SERVICE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2005

	McBain Sanitary Sewer	Drain Notes M-66 Branch Sanitary Drain Series - 1996	Missaukee Sanitary Drain No. 1 Series - 1997	Total
Revenues				
Local	\$ 13,450	\$ 1,690	\$ 92,374	\$ 107,514
Expenditures				
Debt Service				
Principal	10,000	1,800	90,000	101,800
Interest and fiscal charges	3,450	53	2,374	5,877
Total expenditures	13,450	1,853	92,374	107,677
Net change in fund balances	-	(163)	-	(163)
Fund balances, beginning of year	-	163	-	163
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

MISSAUKEE COUNTY, MICHIGAN

STATEMENT OF NET ASSETS NONMAJOR ENTERPRISE FUNDS

DECEMBER 31, 2005

	Tax		
	<u>Reserve Fund</u>	<u>2005 Levy</u>	<u>2000 Levy</u>
Current assets			
Cash and cash equivalents	\$ -	\$ 287	\$ -
Receivables			
Accounts	-	-	-
Taxes receivable-delinquent	-	-	-
Interest	-	-	-
Due from other governments	-	-	-
Due from other funds	<u>264,927</u>	<u>-</u>	<u>-</u>
 Total current assets	 264,927	 287	 -
 Current liabilities			
Accrued liabilities	<u>-</u>	<u>-</u>	<u>-</u>
 Net assets	 <u><u>\$ 264,927</u></u>	 <u><u>\$ 287</u></u>	 <u><u>\$ -</u></u>

<u>2001 Levy</u>	<u>2002 Levy</u>	<u>Total</u>
\$ -	\$ 45,798	\$ 46,085
-	50	50
-	5,257	5,257
-	2,021	2,021
-	4	4
-	-	264,927
-	53,130	318,344
-	185	185
<u>\$ -</u>	<u>\$ 52,945</u>	<u>\$ 318,159</u>

MISSAUKEE COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2005

	Tax		
	<u>Reserve Fund</u>	<u>1999 Levy</u>	<u>2000 Levy</u>
Operating revenues			
Charges for services	\$ -	\$ 287	\$ -
Operating expenses			
Other	<u>-</u>	<u>-</u>	<u>-</u>
Operating income	-	287	-
Nonoperating revenue			
Interest	<u>40,774</u>	<u>-</u>	<u>-</u>
Income before transfers	<u>40,774</u>	<u>287</u>	<u>-</u>
Transfers			
Transfers in	103,616	-	-
Transfers out	<u>(279,705)</u>	<u>-</u>	<u>(4,271)</u>
Total transfers	<u>(176,089)</u>	<u>-</u>	<u>(4,271)</u>
Change in net assets	(135,315)	287	(4,271)
Net assets, beginning of year	<u>400,242</u>	<u>-</u>	<u>4,271</u>
Net assets, end of year	<u>\$ 264,927</u>	<u>\$ 287</u>	<u>\$ -</u>

<u>2001 Levy</u>	<u>2002 Levy</u>	<u>Total</u>
\$ -	\$ 2,237	\$ 2,524
<u>-</u>	<u>-</u>	<u>-</u>
-	2,237	2,524
<u>-</u>	<u>-</u>	<u>40,774</u>
<u>-</u>	<u>2,237</u>	<u>43,298</u>
-	-	103,616
<u>(13,349)</u>	<u>(40,204)</u>	<u>(337,529)</u>
<u>(13,349)</u>	<u>(40,204)</u>	<u>(233,913)</u>
(13,349)	(37,967)	(190,615)
<u>13,349</u>	<u>90,912</u>	<u>508,774</u>
<u><u>\$ -</u></u>	<u><u>\$ 52,945</u></u>	<u><u>\$ 318,159</u></u>

MISSAUKEE COUNTY, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Tax Reserve Fund	2005 Levy	2000 Levy
Cash flows from operating activities			
Cash receipts from customers	\$ -	\$ 287	\$ 266
Cash receipts from interest and penalties	-	-	188
Cash payments to other governmental agencies	-	-	-
Net cash provided by operating activities	-	287	454
Cash flows from non-capital financing activities			
Due from other funds	(264,927)	-	-
Transfer in	103,616		
Transfer out	(279,705)	-	(4,271)
Net cash provided (used in) non-capital financing activities	(441,016)	-	(4,271)
Cash flows from investing activities			
Interest received	40,774	-	-
Net increase (decrease) in cash and cash equivalents	(400,242)	287	(3,817)
Cash and cash equivalents, beginning of year	400,242	-	3,817
Cash and cash equivalents, end of year	\$ -	\$ 287	\$ -
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ -	\$ 287	\$ -
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Changes in assets and liabilities			
Accounts receivable	-	-	-
Taxes receivable - delinquent	-	-	266
Interest receivable	-	-	188
Accrued liabilities	-	-	-
Due from other governmental units	-	-	-
Net cash provided by operating activities	\$ -	\$ 287	\$ 454

<u>2001 Levy</u>	<u>2002 Levy</u>	<u>Total</u>
\$ 1,742	\$ 36,498	\$ 38,793
140	8,767	9,095
-	185	185
1,882	45,450	48,073
92	286	(264,549)
-	-	103,616
(13,349)	(40,204)	(337,529)
(13,257)	(39,918)	(498,462)
-	-	40,774
(11,375)	5,532	(409,615)
11,375	40,266	455,700
\$ -	\$ 45,798	\$ 46,085
\$ -	\$ 2,237	\$ 2,524
-	330	330
1,742	33,935	35,943
140	8,767	9,095
-	185	185
-	(4)	(4)
\$ 1,882	\$ 45,450	\$ 48,073

MISSAUKEE COUNTY, MICHIGAN

**COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS**

DECEMBER 31, 2005

	Trust and Agency	Library Fines	Inmate Trust	District Court Trust	Northern Michigan Mutual Aid Force	Total
Assets						
Cash and cash equivalents	<u>\$ 402,166</u>	<u>\$ 38,275</u>	<u>\$ 15,415</u>	<u>\$ 3,509</u>	<u>\$ 7,329</u>	<u>\$ 466,694</u>
Liabilities						
Undistributed taxes	\$ 367,586	\$ -	\$ -	\$ -	\$ -	\$ 367,586
Undistributed collections	7,894	38,275	-	3,509	7,329	57,007
Court bonds payable	<u>26,686</u>	<u>-</u>	<u>15,415</u>	<u>-</u>	<u>-</u>	<u>42,101</u>
Total liabilities	<u>\$ 402,166</u>	<u>\$ 38,275</u>	<u>\$ 15,415</u>	<u>\$ 3,509</u>	<u>\$ 7,329</u>	<u>\$ 466,694</u>

MISSAUKEE COUNTY, MICHIGAN

BALANCE SHEET
COUNCIL ON AGING
COMPONENT UNIT

DECEMBER 31, 2005

	<u>Council on Aging</u>
Assets	
Cash and cash equivalents	\$ 42,343
Receivables	
Due from other governments	16,162
Taxes	<u>214,551</u>
Total assets	<u>\$ 273,056</u>
Liabilities and fund balance	
Liabilities	
Accounts payable	\$ 6,888
Accrued wages	1,299
Deferred revenue	<u>214,551</u>
Total liabilities	<u>222,738</u>
Fund balance	
Fund balances	
Unreserved	
Undesignated	<u>50,318</u>
Total fund balance	<u>50,318</u>
Total liabilities and fund balance	<u>\$ 273,056</u>

MISSAUKEE COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
COUNCIL ON AGING
COMPONENT UNIT

FOR THE YEAR ENDED DECEMBER 31, 2005

	Council on Aging
Revenues	
Property taxes	\$ 199,427
Intergovernmental	
Federal	43,217
State	12,187
Charges for services	182,148
Interest	2,127
	<hr/>
Total revenues	439,106
Expenditures	
Health and welfare	460,393
	<hr/>
Net change in fund balance	(21,287)
Fund balance, beginning of year	71,605
	<hr/>
Fund balance, end of year	\$ 50,318



REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

February 24, 2006

Board of Commissioners
Missaukee County
Lake City, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of *Missaukee County, Michigan* (the "County"), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 24, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the *Missaukee County District Health Department No. 10*, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on those financial statements insofar as it related to the amounts included for the *District Health Department No. 10*, a discretely presented component unit, is based on the report of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error by fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the County in a separate letter dated February 24, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, members of the Board of Commissioners, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.



REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A – 133

February 24, 2006

Board of Commissioners
Missaukee County
Lake City, Michigan

Compliance

We have audited the compliance of *Missaukee County, Michigan* (the “County”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County’s management. Our responsibility is to express an opinion on the County’s compliance based on our audit.

Federal awards received by the District Health Department No. 10 and Missaukee County Road Commission are not included in the County’s schedule of Expenditures of Federal Awards during the year ended December 31, 2005. Our audit as described below, did not include the operations of the District Health Department No. 10 and Missaukee County Road Commission because the component units engaged other auditors to perform audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County’s compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management, others within the organization, the Board of Commissioners, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

MISSAUKEE COUNTY, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2005

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	AWARD OR PASS THROUGH NUMBER	EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2005
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed through Michigan State Housing Development Authority (MSHDA)			
CDBG - State program	14.228	MSC-2001-0763-HOA	\$ 43,798
Program income from prior year revolving loan funds	14.228		<u>20,508</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			<u>64,306</u>
Passed through Michigan Department of Community Health - Office of Drug Control Policy			
Byrne Formula - Multijurisdictional Task Force TNT	16.579	70772-5k02	62,152
Byrne Formula - Multijurisdictional Task Force TNT	16.579	70772-6-03-B	224,606
Byrne Formula - Local Law Enforcement Block Grant	16.592	83068-1-04-L	<u>1,830</u>
Total U.S. Department of Justice			<u>288,588</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY/U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through Michigan Department of State Police			
Emergency Management Performance Grant	97.067		22,539
State Homeland Security Grant - Solution Area Planner	16.007		6,653
State Homeland Security Grant - Exercise Grant	16.007		3,782
State Homeland Security Grant - Emergency training grant	97.004		3,561
State Domestic Preparedness Equipment Grant	16.007		22,405
State Homeland Security Grant	97.067		<u>87,707</u>
Total Federal Emergency Management Agency/U.S. Department of Homeland Security			<u>146,647</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through Michigan Department of State Police			
Hazardous Materials Emergency Preparedness Grant	20.703		1,292
Challenge Award Grant	20.604		<u>4,776</u>
Total U.S. Department of Transportation			<u>6,068</u>

MISSAUKEE COUNTY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005

U.S. DEPARTMENT OF AGRICULTURE

**Passed through Area Agency on Aging of
Northwest Michigan**

Dining Out	10.570	<u>\$ 14,771</u>
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U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

**Passed through Area Agency on Aging of
Northwest Michigan**

Title III E - Request for Proposal	93.052	21,174
Title III B - Information and Assistance	93.044	7,272

**Passed through Michigan Department of
Community Health**

Title IVD cooperative reimbursement - prosecutor	93.563	12,412
Title IVE - Legal Services	93.658	776
FOC Incentive	93.560	<u>16,825</u>

Total U.S. Department of Health and Human Services	<u>58,459</u>
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TOTAL FEDERAL AWARD EXPENDITURES	578,839
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Less program income not recorded as federal revenue	<u>(20,508)</u>
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Total governmental funds federal revenue	<u>\$ 558,331</u>
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Reconciliation of federal revenues to basic financial statements

Governmental funds	\$ 515,114
Council on Aging	<u>43,217</u>

Total federal revenues per financial statements	<u>\$ 558,331</u>
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Concluded)

Basis of presentation - The schedule of expenditures of federal awards includes the federal grant activity of the County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

Subrecipients- Of the expenditures presented in the schedule, \$167,432 were passed on to subrecipient agencies.

MISSAUKEE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DECEMBER 31, 2005

SECTION I - SUMMARY OF AUDITORS RESULTS:

Financial Statements

Type of Auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) ?	No

Identification of major program:

<u>CFDA #</u>	<u>Name of Program</u>
16.579	Byrne Formula Grants

Dollar threshold to distinguish between type A and type B programs:	\$500,000
Auditee qualified as a low risk auditee?	Yes

MISSAUKEE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2005

SECTION II – FINANCIAL STATEMENT FINDINGS

No financial statement findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No federal award findings or questioned costs are reported.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

February 24, 2006

Board of Commissioners
Missaukee County
Lake City, Michigan

In planning and performing our audit of the financial statements of Missaukee County for the year ended December 31, 2005, we considered the County's internal control to determine our auditing procedures for the purpose of expressing an opinion of the financial statements and not to provide assurance on the internal controls.

However, during our audit we became aware of two matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the County's internal control in our report dated February 24, 2006, on the financial statements of Missaukee County. This letter does not affect our report dated February 24, 2006 on the financial statements of Missaukee County.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various personnel, and we will be pleased to discuss it in further detail at your convenience, perform any additional study of these matters, or to assist management in implementing the recommendations.

Our comments are summarized as follows:

PERSONNEL

During our audit we noted that new employees were not required to have background checks and physicals prior to being hired for County positions. We have noted that these reviews are standard practice at many governmental and for profit organizations. We suggest that the County consider the benefits of performing these checks before hiring new employees.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

During our audit we assisted in the preparation of the schedule of expenditures of federal awards. This assistance included reconciliation of the applicable federal expenditures with the applicable grant revenues. During this process we proposed several adjusting journal entries which resulted in changes in the balances reported on the trial balance. We suggest that a process be put in place to prepare the schedule of expenditures of federal awards. This process should assure that all grant activities are monitored periodically to assure that the balances reported on the trial balance, schedule of expenditures of federal awards and periodic financial statements are accurately reported.

We wish to thank the County staff involved in the audit process for their support and assistance during our audit.

This report is intended solely for the information and use of the County Commissioners, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L' and 'J'.